



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0463	<b>Title:</b>	Teacher retirement creditable service for active military duty
<b>Primary Sponsor:</b>	French, Julie	<b>Status:</b>	As Introduced

**Retirement Systems Affected:** ☒ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police  
☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?  
☒ Has the cost of this legislation been calculated by the system's actuary?  
☐ Does this legislation include full funding for any benefit revisions?

	<b>July 1, 2008 Current System</b>	<b>July 1, 2008 With Changes</b>	<b>Increase/ (Decrease)</b>
Present Value of Actuarial Accrued Liability	\$3,953,700,000	\$3,957,600,000	\$3,900,000
Present Value of Actuarial Assets	\$3,159,100,000	\$3,159,100,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$794,600,000	\$798,500,000	\$3,900,000
Amortization Period (years) of UAAL	31.30	31.30	0.00

	<b>July 1, 2008</b>	<b>July 1, 2009</b>	<b>July 1, 2010</b>	<b>July 1, 2011</b>	<b>July 1, 2012</b>
Employee Contribution Rate	7.15%	7.15%	7.15%	7.15%	7.15%
Employer Contribution Rate	7.47%	7.53%	7.53%	7.53%	7.53%
State Contribution Rate	2.11%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	16.73%	17.17%	17.17%	17.17%	17.17%

## FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
<b>Expenditures:</b>				
General Fund	\$102,547	\$107,161	\$111,984	\$117,023
State Special Revenue	\$81	\$84	\$88	\$92
Federal Special Revenue	\$926	\$968	\$1,011	\$1,057
Other -TRS Pension Fund	\$118,152	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other -TRS Pension Fund	\$421,068	\$437,602	\$455,025	\$473,201
<b>Net Impact-General Fund Balance:</b>	<u>(\$102,547)</u>	<u>(\$107,161)</u>	<u>(\$111,984)</u>	<u>(\$117,023)</u>

**Description of fiscal impact:** HB 463 provides that a member of the Teachers' Retirement System may receive, without cost, creditable service for active duty military service during recent and current military operations, and to refund contributions to any member who has purchased this service. An employer contributions rate increase of 0.06% is included to actuarially fund HB 463.

## FISCAL ANALYSIS

### Assumptions:

1. It is not possible to accurately estimate how many members will qualify for free military service or the number of years of service credit they will receive over the next 30 to 40 years. This problem is further compounded by the fact that the ending dates of the two most recent operations are unknown. Thus, the costs and estimated number of members affected will vary from those presented in this fiscal note.
2. For the purpose of this fiscal note, the TRS Actuary estimated 350 members would qualify for an average of 2 years of free military service under HB 463.
3. The bill increases the employer contribution rate by 0.06%. Costs reflected under general fund, state special revenue, and federal special revenue reflect the increased cost to state agencies for the increased employer contribution as well as the increase in the state contribution for school district payments for the increased employer contribution.
4. 23 TRS members and their employers as of January 6, 2009, have contributed \$118,152 toward the cost of purchasing creditable service that will become free if HB 463 is approved. These contributions would be refunded.
5. The cost estimates in this fiscal note are based on the assumptions, methods, plan provisions, assets and member data used in the July 1, 2008 Actuarial Valuation. No gains or losses from assets or liability experience after that date are included. The valuation is available from the Teachers' Retirement System, or at: [www.trs.mt.gov](http://www.trs.mt.gov).
6. Assume this is the only benefit improvement being considered. If other amendments are enacted, the cost estimates in the fiscal note may be different.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Svcs (State Agencies)	\$4,028	\$4,208	\$4,398	\$4,596
Refunded Contributions (TRS)	\$118,152	\$0	\$0	\$0
Transfers (State Share S.D.)	\$99,526	\$104,005	\$108,685	\$113,576
<b>TOTAL Expenditures</b>	<b>\$221,706</b>	<b>\$108,213</b>	<b>\$113,083</b>	<b>\$118,172</b>

<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$102,547	\$107,161	\$111,984	\$117,023
State Special Revenue (02)	\$81	\$84	\$88	\$92
Federal Special Revenue (03)	\$926	\$968	\$1,011	\$1,057
Other - Pension Fund	\$118,152	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$221,706</b>	<b>\$108,213</b>	<b>\$113,083</b>	<b>\$118,172</b>

<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
TRS Pension Fund	\$421,068	\$437,602	\$455,025	\$473,201
<b>TOTAL Revenues</b>	<b>\$421,068</b>	<b>\$437,602</b>	<b>\$455,025</b>	<b>\$473,201</b>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	-\$102,547	-\$107,161	-\$111,984	-\$117,023
State Special Revenue (02)	-\$81	-\$84	-\$88	-\$92
Federal Special Revenue (03)	-\$926	-\$968	-\$1,011	-\$1,057
TRS Pension Fund	\$302,916	\$437,602	\$455,025	\$473,201

**Effect on Local Governments:**

- Employer contributions to the TRS paid by school districts will increase from 7.47% to 7.53%. Estimated contribution increases are shown above.

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
School Districts	298,580	312,016	326,057	340,730
State Agencies	103,553	108,213	113,083	118,172
University System	18,935	17,373	15,885	14,300
<b>Total</b>	<b>421,068</b>	<b>437,602</b>	<b>455,025</b>	<b>473,201</b>

**Long-Term Impacts:**

1. TRS does not know when the current military operations will end; thus, it is very difficult to accurately estimate how many future TRS members would be eligible for this increase in service, which would be used to calculate their TRS benefits. These estimates should be reviewed in the light of the fact that there is no concrete data on which to base how many teachers would be granted additional service, or how much service they would be granted.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*